

Physicians Health Plan

TESTIMONY BEFORE THE JOINT HOUSE COMMITTEES ON HEALTH POLICY AND INSURANCE

MI MARKETPLACE (INSURANCE EXCHANGE)

Tuesday, July 31, 2012

Thank you for the opportunity to testify today. My name is Scott Wilkerson and I am President and CEO of Physicians Health Plan (PHP) based in Lansing, Michigan. PHP serves the commercial, employer group market, the Medicaid market, and also serves as the administrator for Pre-Existing Condition Insurance Program known as Health Insurance Program for Michigan (HIP Michigan).

Clearly, the Affordable Care Act has already had a significant impact on Michigan Insurers. Over the past two years, insurers have been required to make a number of changes to the products we sell, how we price the products, and how we operate the products. In general, I believe these changes have led to a more predictable and reliable market for Michigan citizens.

The HIP Michigan product has been successful. HIP Michigan currently serves approximately 1,880 individuals who otherwise would not have received insurance from another program. The conditions that these individuals have can be significant and life threatening. Access to HIP Michigan has served as a lifeline for many people that would otherwise have gone without care. To date, HIP Michigan has incurred approximately \$40 million of health care expenses. The cost of caring for these individuals is approximately \$3,500 per individual per month. This is approximately ten times higher than the costs of caring for our insured members.

In general, these individuals cannot get insurance that covers their condition because they no longer have "creditable coverage." These individuals are seeking individual insurance, but are seen as high risk or high cost and without a committed population of healthy individuals also seeking insurance to balance out the risk profile, insurance is not attainable.

We have learned that affordability is the single most important aspect of HIP Michigan and we have worked hard to develop products and pricing that will be attractive to those in need, as the government does not provide a 100% premium subsidy. Affordability is also critical in the individual and group markets as well.

I believe that health care is a critical aspect of a productive workforce. A productive workforce is the key part of growing the Michigan economy. Reducing the rolls of the uninsured will provide an economic boost.

MI Health Marketplace is a key tool that the state should use to move us down the path of providing affordable health insurance to all citizens.

An exchanged developed and controlled by Michigan makes sense for many reasons. I want to highlight some of the factors that may not have been considered to date:

1. Michigan has a large number of nationally recognized health plans. A state exchange would likely recognize these plans as assets and incorporate their capabilities in the planning efforts. However, many of these plans are regionally based and there is no assurance that a federally run exchange will allow regional participation or consider the value of these plans.
2. It will keep "knowledge worker" jobs in Michigan, including IT jobs.
3. A federal plan will focus on national carriers, many of which have limited or no relationships with providers in Michigan or no brand awareness in Michigan.
4. Many people say that health care is local and we believe this to be true. People want their decisions to be made locally and their appeals to be heard locally, face to face. National plans cannot offer this.
5. There is no guarantee that the state law allowing those with insurance to have an independent review will be used by a federal controlled exchange.

Finally, a Michigan Exchange will be accountable to the people of Michigan through our state-based, elected officials. A federally run exchange will be run by unknown parties that may not have our best interests at heart.

I would also like to address some other questions that have been raised.

1. What statutes or rules or other obstacles exist preventing the health plan industry from moving forward without government subsidy or mandates?

We believe that the exchanges can be a low cost way for the state to support competition using free market principles. Michigan has been rated as one of the least competitive states in the union. The structure that we support for the exchange is provided in an MAHP White Paper entitled "MAHP ADVOCACY FOR AN EFFECTIVE HEALTH INSURANCE EXCHANGE IN MICHIGAN." Further, we believe the commissioner is on the right track with some of the announcements he has made recently.

2. What research have you done, and what were the results, when trying to determine what the value proposition is for both plan providers and for buyers of plans in terms of what they will pay for having something like an exchange available to them?

PHP has not specifically researched this.

3. Please describe, from your perspective, the problems of "lack of competition" and "limited access to health plans" as asserted by the ACA.

For individuals and small groups, price and product are critical aspects of choice. However, price and product are often working against each other. The richer the

product, the more expensive it will be. Less expensive products for individuals may not cover pre-existing conditions. The many combinations available can make it difficult for individuals and small business to understand. The exchange should provide a standardized market for these segments both in terms of the products offered and the pricing structure they are offered under.

4. What are your fears of having the private sector solve the problems of competition and access versus government mandates?

Our main concern revolves around providing stable rates when there is no requirement that people participate. Imagine auto or home insurance rates if they were not mandated to provide coverage. If low risk people left the market, rates would sky rocket and lead to instability.

5. What private or public exchange solutions have you researched and what specific recommendations do you have?

This work is still being done, but there are lots of resources available that can be used to speed up the process of exchange development. One example I would point to is the UX2014 standard which is a heavily researched “front end” for the user. I would also point to the MAHP White Paper for solutions.

6. What threats to your industry might occur once the concept of a government sponsored exchange concept fully matures? How might this impact the issue of competition, total cost to businesses or citizens, and access?

Two key concerns: First, we are concerned that the uninsured won't fully adopt the exchange. If healthy people don't opt in, the pool could be unstable which will cause insurers to exit the market. Secondly, we are concerned that the exchange could limit “shelf space” for PHP products. Currently, we have a wide variety of products and we need to make sure that we preserve options.

7. How do you see the implementation of a government sponsored exchange reducing health care costs?

The real opportunity here is to provide all Michiganders with access to the health care system. If we can get people into the care system earlier we have a real opportunity to reduce long term care costs by managing health as opposed to treating acute disease. Less uncompensated care will mean reduced cost shifting that can ultimately reduce costs.

Thank you for the opportunity to address this committee. We are hopeful that this committee moves forward with legislation enabling an exchange and providing access to \$9.8 million of federal funding to develop the exchange.